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# Who Lobbies Whom? Special Interest Politics under Alternative Electoral Systems

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*Why do some interest groups lobby politicians and others lobby bureaucrats? We theorize lobbying venue choices and intensity as a function of contract enforceability with policy makers, politicians, or bureaucrats. We argue that organizational structures of interest groups, in particular, whether they are centralized or decentralized, substantially affect their lobbying strategies because they are associated with different ability to monitor and enforce contracts with policy makers and punish them when they fail. We further demonstrate that the effect of centralized versus decentralized structure on venue choices is conditional on the types of electoral system: majoritarian, semiproportional (single, nontransferable vote: SNTV), or proportional representation systems. We test this argument using longitudinal survey data on lobbying which span two decades and cover around 250 interest groups in various sectors and issue areas in Japan. The results lend strong support to our argument about contract enforceability under alternative electoral systems.*

How do interest groups choose across different venues of lobbying to influence policy? Why do some interest groups lobby politicians and others lobby bureaucrats? These questions lie at the heart of much of the classic literature in political economy, ranging from Madison and the Federalist Papers and Dahl's seminal study of pluralism in New Haven (Dahl 1963) through studies of corporatism (e.g., Schmitter & Lehmbruch 1979) to the collective action literature (e.g., Olson 1965). Yet the existing literature on lobbying tends to ask to what extent interest groups influence policy rather than a question of *how* they attempt to influence it. In particular, the question of venue selection, i.e., how interest groups choose across multiple venues of lobbying, has not been explored extensively to date.

In contrast to the existing approaches that theorize interest groups' goals of lobbying as changing legislators' preferences or their policymaking resources (Hall and Deardorff 2006; McCarty and Rothenberg

1996; Walker 1991), we theorize lobbying as a function of contract enforceability with policy makers, politicians, or bureaucrats. We argue that the organizational structures of interest groups, in particular, whether organizational structures are centralized or decentralized, substantially affect their choice of lobbying strategies because they are associated with different ability to monitor and enforce contracts with policy makers and punish them when they fail. We further demonstrate that the effect of centralized versus decentralized structure on venue choices is conditional on the types of electoral system: majoritarian, semiproportional (single, nontransferable vote: SNTV), or proportional representation systems. Under a highly personalistic electoral system like SNTV, decentralized groups are more likely to go to a political route as they are better able to monitor, enforce, and punish individual legislators in a district than centralized groups. Under a party-centered electoral system, such as a closed-list

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proportional representation system, centralized groups are more likely to go to a political route as they are better able to enforce and punish politicians via political parties.

We leverage the case of Japan to test how interest group organizations and electoral institutions interact to shape lobbying strategies for two reasons. First, it is advantageous because the electoral reform occurred without a major partisan change (Horiuchi and Saito 2003). Second, postwar Japan provides a laboratory of electoral systems because it has employed SNTV (pre-1994) and majoritarian systems combined with proportional representation systems (post-1994). We use a longitudinal elite survey data set of a large sample of interest group leaders at three data points spanning a quarter of a century. We demonstrate that interest groups adapt their lobbying strategies to the change in electoral institutions in which they are embedded. Our argument proceeds in two steps.

First, we theorize interest groups' lobbying venue choices and intensity as an effort to enforce and monitor a contract with politicians and hypothesize how various organizational structures of interest groups are linked with their potential ability to make politicians commit to this contract. When the interest groups' organizational structures allow more effective monitoring and punishment of politicians who fail to commit (i.e., not to reelect or withdraw financial contributions), they are more likely to go to a political route. When their organizational structures do not allow effective monitoring and punishment of politicians who shirk or renege, they are more likely to go to a bureaucratic route to influence an earlier formulation or implementation stage of policymaking.

Second, organized interests use various instruments to punish politicians who shirk or renege on the contracts: votes, candidate endorsement, and campaign contributions are the major examples. We construct typologies of these punishment mechanisms into decentralized and centralized instruments and discuss how the effectiveness of various instruments changed due to the 1994 electoral reform. We expect that the electoral reform from an SNTV system with multimember districts to a mixed SMD/PR system decreases the effectiveness of the decentralized punishment mechanism (voting in a district or candidate endorsement) while it increases the effectiveness of the centralized punishment mechanism (voting for a party). Thus, the reform is expected to diminish the difference between decentralized and centralized groups' lobbying strategies. We find that our organizational structure argument explains variations across interest groups as well as changes after the electoral reform controlling for their organizational resources and for sectoral issue areas.

## Theories of Lobbying Venue Choices

Why do some interest groups lobby politicians, while others lobby bureaucrats? The question is at the heart of *why* interest groups lobby. Two schools of thought have emerged in the literature on the United States: one that theorizes the interest groups' goals of lobbying as changing or enhancing policy makers' preferences ("preference-centered approach") and another that theorizes lobbying as a function of organizational resources of interest groups or legislators ("resource-centered approach").

### Preference-Centered Approach: Exchange and Persuasion

The preference-centered approach views organized interests' lobbying as an effort to change or align their preferences with legislators to achieve policy goals. In this approach, the two mediums that organized interests use to shape legislators' preferences are money and information. One argument, which is referred to as *exchange theories*, focuses on the role of campaign contribution in buying support from legislators. While the debates regarding what organized interests seek to buy—votes, access, or time of legislators—have advanced the literature, the exchange theories still suffer from three major issues.

First, without a third-party enforcement or punishment, how do legislators and organized interests commit to this quid quo pro exchange? The literature suggests that in such a "political market failure," exchanges between legislators and organized interests are tacit, suprallegal, and intertemporal in their nature and thus are susceptible to legislators' reneging and shirking (Hall and Deardorff 2006; McCarty and Rothenberg 1996; Snyder 1992; Stokes 2005; Weingast and Marshall 1988). Yet empirical research on how legislators and organized interests seek to solve this political market failure is few and far between.

Second, the empirical support for the money-buys-votes argument is weak in light of the findings that interest groups are much more likely to lobby their allies than swing legislators or enemies (Bauer, Pool, and Dexter 1963; Hojnacki and Kimball 1998). This empirical regularity not only holds in the context of the United States but also in Japan (Muramatsu and Kume 2006; Sasaki et al. 1999).<sup>1</sup> Stratmann (1998) also finds that a

<sup>1</sup>The 2003 survey used in this article (see the "Data and Method" section below for a detailed description of these surveys) also reveals that only 2.1% of interest group leaders choose "campaign contribution" as the most important reason for why legislators assist their groups, which suggests that organized interests seem not to be "buying" legislators' votes, access, or time.

surprisingly small amount of money is at stake to buy legislators' votes in the United States. If the purpose of lobbying is to change legislators' preferences, why would interest groups waste lobbying efforts on their core supporters? Finally, the exchange theory does not account for why interest groups extensively lobby bureaucrats: the 2003 survey done by the Muramatsu-Kume group reveals that interest groups spend approximately 60% of their lobbying efforts (i.e., frequency of personal contacts) with bureaucrats compared to 40% with politicians. With their focus on the role of money in changing legislators' preferences, the exchange theories do not help us understand why interest groups lobby bureaucrats at all.

Another argument, which is referred to as *persuasion theories*, theorizes information transmission from organized interests to policy makers as a mechanism to enhance—rather than to change—policy makers' preferences (Austen-Smith 1993, 1994; Hansen 1991; Wright 1996). This approach views information asymmetry between legislators and organized interests as a key determinant of lobbying and explains several anomalies found in the exchange theories, such as why interest groups lobby allies more than swing legislators and why interest groups lobby bureaucrats. Moreover, unlike the exchange theories in which “the money, not information or arguments of the lobbyist, is the variable doing the behavioral work” (Hall and Deardorff 2006, 71), the persuasion theories model the lobbying process more directly as information transmission via personal contacts and deliberations (Wright 1990).

Its weakness, however, is twofold. First, due to the difficulty in systematically studying the process of private information transmission, empirical tests of these theories have lagged far behind the theories (exceptions are Furlong 1998; Golden 1998; Yackee and Yackee 2006). Second, the persuasion theories assume that legislators face uncertainty about constituents' positions on a given policy, and this uncertainty makes them rely on information provided by organized interests. This logic, however, does not account for why interest groups often lobby bureaucrats who do not face this need to learn constituents' positions.<sup>2</sup>

Finally, neither exchange nor persuasion theories help us understand the prevailing patterns in the United States, Japan, or elsewhere in which interest groups lobby legislators with whom they have a long-standing relationship. The 2003 Muramatsu-Kume Survey reveals that the highest proportion of leaders (30%) say legislators assist

their groups because they agree with the group's goal or policy, 17% say it is because they have a long-term trustworthy relationship with a group, and 13% say legislators assist their groups because they provide organized votes during elections. Only less than 10% say it is because the group provides information. What, then, does it mean to be “persuaded”?

### Resource-Centered Approach

Contrary to the preference-centered views discussed above, Hall and Deardorff (2006) propose a novel, resource-centered argument. Direct lobbying, they argue, is a gift from organized interests to like-minded legislators in forms of information and subsidy to assist resource-scarce legislators to work at achieving a policy. The *lobbying-as-subsidy theory* solves many anomalies found in light of preference-centered approaches: why interest groups lobby allies more than swing legislators, and why legislators often initiate contacts with organized interests. Yackee and Yackee (2006) demonstrate that not just elected representatives, but also bureaucrats are more likely to respond to big business interests than citizens as the former provide better quality information about complex policy issues. This line of research suggests that the goal of a group's lobbying with bureaucrats and politicians might be more similar than thought (Niskanen 1975).

Walker (1991) proposes another resource-centered model of lobbying. He argues that interest groups' access and proximity to elites in the Capitol versus local political actors in a district determine their lobbying strategies. Localized groups are more likely to use “outside” lobbying strategies (i.e., mobilize grassroots organizations and the public), while centralized groups are more likely to work through elites such as legislators and federal agencies (“inside” strategies; Kollman 1998). Holyoke (2003) accounts for the venue choices by looking at the distribution of power between proponents and opponents of a given policy in venues. In de Figueiredo and de Figueiredo (2002), interest groups' choices among lobbying legislative, administrative, and legal institutions are determined by the ideology of the court and the responsiveness of the court to resources. These resource-centered approaches have an advantage over the preference-centered approach because they simultaneously account for organized interests' venue choices and intensity of lobbying. Yet the puzzle still remains: how do interest groups cope with the risks of wasting their lobbying resources when legislators face incentives to renege or shirk on promises?

Similar to Walker, we link centralized versus decentralized interest groups with their venue choices.

<sup>2</sup>The argument also does not account for why some legislators spend time meeting with interest groups that are not necessarily from their districts, such as public interest environmental groups and international NGOs.

However, our approach departs from Walker's in two major respects. First, we focus on organizational *structure* rather than resources. We define decentralized organizational structures as local organizations' potential ability to make independent political decisions from the central headquarters, such as candidate endorsement, vote switching, and campaign contribution. We demonstrate that even controlling for various measures of access and resources, our contractual approach better accounts for lobbying patterns. Second, in general, electoral institutions are missing from the lobbying literature. We analyze how organizational structures of interest groups interact with electoral institutions to shape their venue choices.

## Lobbying as Contract Enforcement

We model interest groups' lobbying venue choices and intensity as a function of their contract enforceability with policy makers. Our contractual approach theorizes interest groups' goal of lobbying as an effort to enforce a contract with legislators who are already sympathetic to their preferred policies. Our approach accounts for major puzzles about interest group lobbying in general and in Japan in particular: why do interest groups predominantly lobby legislators who are already sympathetic to their policy; why do they lobby legislators with a long-standing relationship; and why do some groups lobby politicians while others lobby bureaucrats?

### Policymaking Environment: Electoral Institutions and Legislative Organizations

To account for the major puzzles described above, we need to understand incentives of both the supply (legislators) and demand side (organized interests) of lobbying. There are two institutional characteristics that shape legislators' incentives to form, renege on, or shirk the contract with special interests in Japan: electoral institutions and legislative organization (i.e., a committee system). In Japan, under the SNTV system in which district magnitude generally ranged from one to five, same-party candidates of the largest ruling party, the Liberal Democrats, competed for a seat. The SNTV system encourages individual legislators to cultivate "personal votes" rather than to collectively pursue a coherent party label (Cox and Thies 1998; Ramseyer and Rosenbluth 1994, and many others). Moreover, since votes that individual legislators win in a district are not transferable to other same-party candidates, individual legislators have incentives to specialize either geographically (Hirano 2006) or sectorally (McCubbins

and Rosenbluth 1995) to differentiate themselves from other same-party candidates (Tatebayashi 2004). Thus, under an SNTV system, legislators' incentives were to target narrow constituents ("specialization") as opposed to building a majoritarian coalition with broader and more diverse constituents.

Legislative organizations also mirror legislators' personal vote incentives. The LDP's policymaking organization under an SNTV system was decentralized and specialized. The party decided policies through an extensive committee system (Policy Affairs Research Council; PARC), each of which oversaw corresponding cabinet ministries and bureaucratic agencies (Cox and Rosenbluth 1995).<sup>3</sup> The decentralized committee system also gave policymaking power to party backbenchers who needed to credit-claim to special interests to mobilize votes and campaign contribution (Rosenbluth and McCubbins 1995, 49). Accordingly, organized interests have incentives to lobby individual legislators in a district, rather than lobbying through a party or party leaders. This decentralized political structure lowers the enforceability of contract between legislators and centralized organized interests. First, individual legislators have incentives to pursue their individual platform, and the party does not function as an enforcer of a contract. Second, because the PARC employs unanimity rules and the meeting is not open to the interest groups or the public,<sup>4</sup> organized interests have difficulty identifying who opposes versus who supports a policy at the PARC meetings or any contribution made during the meetings.<sup>5</sup> This is one of the consequences of the one-party dominant, policymaking environment before 1994 in which major policy decisions were made within the ruling party rather than in the Diet. This means that centralized groups without local organizations have difficulty monitoring and acquiring information about the extent to which politicians commit and

<sup>3</sup>Because the LDP was the ruling party for all but 10 months since 1955, essentially the basic content of policies was decided within the LDP and only sometimes revised or slightly modified in the Diet (parliament) committees. Thus the LDP's PARC was the more important policymaking organ for the government.

<sup>4</sup>Interest groups can only attend the meetings if they are officially invited for hearings.

<sup>5</sup>Organized interests have two ways to deal with this lack of transparency at the PARC: one is to rely on media reporters who outside the meeting rooms usually peep in and try to overhear the PARC meetings from open doors, and another is to rely on self-reported stories about the meetings told by politicians (for instance, many politicians leak PARC debates on their blogs). These methods fall short, however, as the media only covers debates surrounding major legislations and politicians can exaggerate their contribution.

contribute to realizing their preferred policy.<sup>6</sup> As a result, contract enforcement, monitoring, and punishment mechanisms have to be decentralized and localized so that interest groups can hold individual politicians accountable to their promises.

### Decentralized Lobbying as Contract Enforcement under SNTV

Under the SNTV system described above, politicians and organized interests exchanged promises during the election campaigns, but these contracts were susceptible to legislators' renegeing and shirking. Organized interests used various instruments to reduce wasting their lobbying efforts, such as *ex ante* contracts and *ex post* punishment and rewards.

Anecdotes suggest that legislators and special interests form such *ex ante* contracts in Japan. Aurelia George Mulgan describes what a politician who specialized in the agricultural sector had to go through to get the endorsement of a major agricultural group:

For Matsuoka to receive electoral support from the prefectural *nouseiren* (Agricultural Politics Association), he had to demonstrate sympathy for, and understanding of, the organisation's agricultural policy campaigns (*nousei undou*) and to make a public promise of adherence to a position that would reflect the intentions of *Noukyou* (Agricultural Cooperatives) along with farmers in politics. In exchange for recommendation and authorisation (*kounin mo suishin mo*), he would have to sign a policy agreement with the organisation and become a staunch friend (*meiyuu*) of the league.<sup>7</sup> (2006, 61; English translation in parentheses added by authors)

*Ex post* monitoring and rewards for loyalty also exist. Woodall (1996) documents that the large con-

struction firms graded the politicians' contributions to delivering their preferred policy and rewarded those with good grades with larger biannual campaign contribution (Woodall 1996, 114).

Other anecdotes abound suggesting that politicians' shirking may well be punished by organized interests. In 1979, local Agricultural Cooperatives (*Noukyou*) in Aomori and Akita prefectures decided to switch their endorsement from the LDP to the Japan Communist Party candidates for the lower-house election. The head of the Agricultural Cooperatives in Akita prefecture said:

There was only one (LDP) lower-house representative from Akita prefecture who attended our big meeting to discuss the issue of rice price last year. It showed the serious lack of interests of Akita (LDP) representatives in helping farmers out. We were very frustrated. Except for one, all of our 19 committee members for the candidate endorsement were conservatives (i.e., the LDP supporters). But we decided to endorse Mr. Nakagawa (of the JCP) who has worked hard for us. . . . This was very effective—after the election, the LDP politicians treat us much better when we lobby them. Their attitudes completely changed. (Interview documented in Tachibana 1984, 352–53. Translation by the authors. Parentheses added by authors)

The above examples illustrate the importance of our contractual approach. Even special interest politicians—those who are already sympathetic to given organized interests—can renege on the contract with interest groups or shirk on the effort to realize a policy. Incentives to renege or shirk can be political (e.g., the party orders them to do otherwise or there are conflicts of interest in a district; see fn. 8) or efficiency driven (e.g., allocate their resources to mobilize swing voters, while keeping the core constituents' votes), but either way, such incentives may be prevalent as seen in the above episode.

Organized interests use various ways to reduce the risk of such political market failure.<sup>8</sup> The first is gathering and distributing information about politicians' levels of commitment to a given special interest. The above

<sup>6</sup>On the other hand, bureaucrats' meetings on policy issues with Advisory Councils (*shingikai*) where the majority of policy bills are first formulated are generally open to the public. In addition, transcripts of discussions are also available to the public online at ministries' websites. Furthermore, Japanese bureaucrats are not politically appointed, either; almost all are selected by particular ministries after passing examinations and work for the same ministry until their retirements except for brief stints at other agencies. Thus the only potential source of shirking by bureaucrats, in addition to "laziness," is the divergence between politicians' and bureaucrats' policy preferences ("agency slack" problem which can be taken care of through politicians' and interest groups' "fire alarms").

<sup>7</sup>Matsuoka eventually became Minister of Agriculture in the first Abe Cabinet, but investigations into his misuse of finances as a Diet Member led him to commit suicide in May of 2007.

<sup>8</sup>The most drastic solution to this contractual problem is to send their own members to the Diet (Gehlbach, Sonin, and Zhuravskaya 2008). The head of Agricultural Cooperative in Miyazaki prefecture said: "We need to send our own people to the Diet. . . . The LDP's self-claimed 'agricultural politicians' (*nousei-ha*)' pretend like they support farmers, but when necessary, they defect us by choosing to abide by the party order. We need someone—the true supporters of farmers—who will break away from the party to support farmers when they have to" (Tachibana 1984, 355).

examples suggest, indeed, that interest groups gather information about how serious politicians are committed by monitoring their levels of participation in the meetings and other activities in the Diet and in their constituencies. The organizational structures of interest groups affect their ability to gather and distribute information and monitor politicians' activities. Information and monitoring of the politicians' district activities and responsiveness to the local interests may be more costly to acquire and coordinate for centralized interest groups without local organizations than decentralized interest groups with both headquarters in Tokyo and local organizations in districts. This is due to the lack of transparency at the PARC meeting, as discussed previously, and local organizations' geographic proximity to local representatives.<sup>9</sup>

The second way to deal with the commitment failure is to effectively punish politicians who renege or shirk.<sup>10</sup> The organizational structures of interest groups affect their effectiveness to punish in two ways. First, decentralized interest groups can punish individual politicians running in electoral systems with local districts (SNTV or SMD) by withdrawing political support without coordinating their actions across districts. For instance, the anecdote of Akita prefecture demonstrates that while the national-level Agricultural Cooperative was a supporter of the LDP, the local-level offices had autonomy to make their own political decisions, e.g., endorsing a candidate from a different party. The local-level offices, not the national-level office, were the ones that were vote-mobilizing organs during the election campaigns.<sup>11</sup>

On the other hand, interest groups with centralized structure face several difficulties in monitoring and punishing politicians who did not deliver the promised policy benefits, particularly under a highly personalistic system like the SNTV system. Organized interests with a centralized structure, such as the Federation of Economic Organizations (*Keidanren*; big business's peak association), have used political donations as a means to reward or

punish the political parties. They lack, however, the decentralized mechanism to punish individual politicians running from majoritarian districts who renege or shirk. For instance, after the major defections by some LDP politicians to oppose the 2005 postal reform legislation, *Keidanren*'s president Okuda announced that "Overall, *Keidanren* supports the LDP, but how our member company deals with individual district cases is up to them." In other words, *Keidanren* can collectively act at the center on whether to grant political donations to political parties, yet they could not coordinate their actions across local districts to mobilize or withdraw political support.

It is thus likely that interest groups that have local organizations are more likely to lobby politicians because they are in a better position to monitor and punish a politician in his or her district.<sup>12</sup> Centrally organized groups without local organizations are more likely to go to the national bureaucracy to influence different stages of policymaking such as drafting and implementation of policies that were passed.

*H1: Decentralized interest groups are more likely to lobby politicians than centralized interest groups without local organizations under the SNTV system before 1994.*

## The Electoral Reform: SMD/PR System

The electoral reform of 1994 to the SMD/PR system changed the policymaking environment in two ways: (1) broadening and diversifying the scope of constituents whom legislators need to target and (2) centralizing policymaking power to party leaders (see Table 1). The new SMD/PR system allocates 300 seats for SMD and 180 seats for a closed-list PR system with 11 regional blocks. Voters cast two votes, one for a candidate from the SMD district and another for a party, and these votes are separate.

First, under the SMD, a single representative must win and represent the whole district with a diverse constituency (Krauss and Pekkanen 2004, 10–12). This weakens legislators' incentives to pursue the personal vote and instead strengthens their incentives to build a broader, majoritarian coalition with diffused and organized interests. Second, since only one candidate from different parties competes for a seat, the reform strengthens legislators' incentives to pursue party label. The SMD also

<sup>9</sup>For instance, Agricultural Cooperatives that have headquarters in Tokyo and local organizations in all of the 47 prefectures have better ability to monitor and enforce contracts than an Association of Mega Banks which only has headquarters in Tokyo. The proximity of local organizations to the Diet Member (favor giver) also allows him or her to monitor the interest groups' living up to their side of the bargain too, making commitments more credible and monitoring more effective. See Stokes (2005).

<sup>10</sup>Politicians also have various ways to avoid the punishment, such as to shift blame to bureaucracy, opposition parties, foreign countries ("gaiatsu"; see Schoppa 1997), or intraparty conflicts.

<sup>11</sup>Indeed, Tachibana (1984) suggests that the Agricultural Cooperative is decentralized fiscally and politically despite its formal rule that "all the members have to abide by the headquarter's (*chuukai*) orders" (355).

<sup>12</sup>Another reason for why interest groups with local organizations are more likely to lobby politicians is that the proximity makes it easier to access politicians. The "access" argument remains insufficient, however, because the majority of lower-house representatives spend half of their time in Tokyo and the other half in their own districts, and the majority of organized interests surveyed have headquarters or local branches in Tokyo.



TABLE 1 Policymaking Environment and Lobbying Strategies

Scope of Legislators' Target	Policymaking Structure (Contract Enforcement)	
	Decentralized	Centralized
	Narrow SNTV (Pre-reform) "Decentralized Lobbying" SMD (post-1994) "Continuing decentralized lobbying, but weaker due to the broader coalition"	Closed-List PR (post-1994) "Centralized Lobbying" SMD (post-1994) "Centralized Lobbying due to the party-centered nomination process"

centralizes the power structure within parties because legislators depend on party nominations to win seats (Asano 2006). Third, under the closed-list PR, the parties choose the candidates and their ranking on the list. Thus, parties have greater control over their individual legislators than when they were under SNTV (Shugart 2001). Voters also must cast a vote for a party under a PR system, which weakens the tie between individual legislators and electorates.

Legislative organizations adapt to legislators' new incentives shaped by the electoral reform (Pekkanen, Nyblade, and Krauss 2006). After the electoral reform bill was passed, the LDP stopped limiting its representatives' PARC affiliations to a maximum of four committees and allowed anyone to join as many committees as he or she wished. The LDP recognized that its representatives need to be more policy generalists to win single-member districts (Krauss and Pekkanen 2004, 17–20). The policymaking power has also shifted from individual politicians to party leaders and the cabinet ("centralization"; Muramatsu and Kume 2006). Table 1 summarizes our expectations of how the policymaking environment shapes lobbying strategies before and after the electoral reform.

Interest groups should adapt their lobbying strategies to legislators' new incentives. First, the centralization of policymaking means that the effectiveness of the decentralized monitoring and punishment mechanism (i.e., withdrawing votes or candidate endorsement in a district) should decrease under the SMD/PR system. The decentralized punishment is less effective for the regional block PR portion as it encompasses more diverse sectors and geography than the previous SNTV districts. The SMD

portion also forces representatives to build broader majoritarian coalitions in constituencies than under SNTV (McGillivray 1997, 2004; Rogowski and Kayser 2002).<sup>13</sup> This means that decentralized interest groups will continue to lobby SMD representatives via local organizations, although this incentive might be weaker than under SNTV as they face more difficulty monitoring and enforcing a contract with legislators in districts. Instead, decentralized groups will also begin lobbying legislators through the central channel (i.e., headquarters) to influence the party decisions. On the other hand, we would expect that the centralized interest groups lobby politicians more than the previous two surveys. This is because they can use the centralized punishment mechanisms, i.e., using PR votes to political parties under the new electoral system. Thus Japan's mixed electoral system provides incentives for interest groups to centralize their lobbying strategies. These expected changes lead us to hypothesize:

*H2: Centralized interest groups will be more likely to lobby politicians after the reform than in the previous SNTV period. Decentralized groups will be more likely to centralize their lobbying strategies*

<sup>13</sup>McGillivray (1997, 2004) also demonstrates that in majoritarian systems, legislators are more likely to target core supporters under a weak party discipline, while they are more likely to target swing voters under a strong party discipline. While this theory offers predictions regarding legislators' targeting incentives (the vertical axis of our 2×2 shown in Table 1), we could derive consistent predictions on our enforceability of contracts from it. While targeting swing voters can mean lower enforceability with individual legislators, strong party discipline means party functions as a reliable enforcer of the contract—thus, centralization of lobbying strategies.

TABLE 2 The Effectiveness of Decentralized versus Centralized Punishment Mechanism

Organizational Structures	Instruments	Survey 1 1980 SNTV	Survey 2 1994 (1993) SNTV	Survey 3 2003 SMD/PR
Local Org (Decentralized)	<b>Decentralized</b> -voting -candidate endorsement -political funds	+	+	Weaker effects
No Local Org (Centralized)	<b>Centralized</b> -party votes -political funds	difficult due to coordination	difficult due to coordination	+

Note: + refers to effectiveness of instruments.

by shifting allocation of lobbying efforts from local organizations to the central office than in the previous period.

*Corollary 2–1:* Thus differences between centralized and decentralized interest groups will be reduced after electoral reform compared to the previous SNTV period.

Another major institutional reform that may increase the effectiveness of the centralized punishment mechanism (i.e., withdrawing campaign contribution or party votes) is the 1994 campaign finance reforms—passed along with the electoral reform—that restricts the contributions of organizations to individual politicians. The revision of the Regulation on Political Funds (*Seiji Shikin Hou Kisei*), which was phased in during 2000, limits organized interests' political donations in two ways. First, organized interests or a firm can contribute the maximum of 50 million Yen per one political party and a total of 100 million Yen per year. Second, the revision also limits the channels in which organized interests can contribute political donations. Direct donations to individual politicians are prohibited after the revision (Ministry of Internal Affairs and Communication 2009) as are donations to party factions that used to distribute funds to the individual politician. Much of the campaign funding now is routed through the political party. Therefore, campaign finance reform should reinforce the effect of electoral reform on lobbying: for the centralized interest group, their ability to punish politicians via the campaign contribution route should increase after the reform; on the other hand, decentralized groups' ability to punish individual politicians may diminish, and they might channel campaign contribution via the central office after the reform.<sup>14</sup>

<sup>14</sup>Taniguchi (1999) argues that due to loopholes in this law, interest groups can contribute unlimited donations to local party

*H3:* After campaign finance reforms, centralized groups will be more likely to lobby politicians than they were before the reform.

The above hypotheses are summarized in Table 2.

## Data and Method

The three interest group surveys conducted by the Muramatsu-Kume group in 1980, 1994, and 2003 provide data on 200–300 interest group organizations for each survey that ranges from peak associations of various industries to nongovernmental organizations and religious groups. The surveys were conducted by a professional survey research firm in Japan on a sample of interest group leaders. The sampling procedure is described in detail in the appendix. We use each interest group organization as a unit of analysis and analyze their choice of lobbying venues and intensity for each of the three surveys.<sup>15</sup> The models estimated have the following structure:

$$\begin{aligned}
 \text{Lobbying Politicians } i &= \beta_1 \text{ ORGANIZATIONAL STRUCTURES } i \\
 &+ \beta_2 \text{ RESOURCES } i \\
 &+ \beta_3 \text{ ISSUES/SECTORS } i + \varepsilon_i
 \end{aligned}$$

Our first data point (1980) is the height of the LDP dominance. Our second data point (1994) is right after the LDP lost power briefly, but since the survey asks interest groups about the time period *prior* to electoral reform, it is about the early 1990s period when the LDP had been

branches, which are essentially run by individual legislators. We lack the data to test whether organized interests' political donations to local branches increased or decreased due to the campaign finance reform.

<sup>15</sup>See fn 22 for detailed discussion of why we did not pool data across three surveys.

in power for almost 45 years. Our third data point is 2003 when the LDP had been back in power about eight years and after electoral reform with two elections under the new mixed electoral system. These data provide a detailed picture of the interest groups' lobbying activities in which 339 of 734 are the same interest groups over a quarter of a century. To capture both the venue choice and intensity of the lobbying activities, we use two different operationalizations of "venue selection" as our dependent variable.

### The Dependent Variable: Relative versus Absolute Choice of Venues

While existing studies tend to theorize multiple venues are mutually exclusive, i.e., interest groups choose one venue or the other, in reality, the choice of venue is rather relative. The majority of interest groups lobby both politicians and bureaucracy but strategically allocate their lobbying resources—such as time and human capital—to these venues to maximize their chances of achieving policy goals. In order to capture the interest groups' decision, we create an index of relative allocation of interest groups' resources for lobbying politicians versus bureaucrats. We do so by using the following question:

When your group approaches an administration, how often do you contact people in the following positions?

Respondents choose their level of frequency of contact on a 5-point scale (1: Very Frequent; 2: Frequent; 3: Not so often; 4: Rare; and 5: Not at all) for each of the following 10 positions: (1) Prime Minister, (2) Chief Cabinet Secretary, (3) Minister, (4) Deputy Minister, (5) Parliamentary Vice-Minister, (6) Permanent Vice-Minister, (7) Director, (8) Section Manager, (9) Assistant Section Manager, and (10) Chief Clerk.<sup>16</sup>

<sup>16</sup>A potential issue with using this questionnaire is that it limits the universe of "bureaucrats and politicians" to those who hold important positions in a government. The benefit of using this question, on the other hand, is that it captures groups' contacts with politicians and bureaucrats that actually *matter* for policy-making and implementation. Moreover, Deputy Minister and Parliamentary Vice Ministerial positions are usually given to junior to mid-career politicians (mean numbers of terms served are three). Another advantage of using this questionnaire is its specificity regarding which government positions interest groups contact. While a questionnaire such as "how often do you contact politicians (or bureaucrats)" (this question does not exist in this survey) may seem better because it captures interest groups' contact with a broader spectrum of politicians and bureaucrats, defining who constitutes politicians or bureaucrats is often ambiguous and may suffer from the lack of comparability across interest groups' responses.

We categorize these 10 positions into two groups, one with positions held by politicians (1 to 5) and by bureaucrats (6 to 10).<sup>17</sup> We transform this five-scale response so that the higher the value, the more frequent an interest group contacts a given position (4. Very Frequent, 3. Frequent, 2. Not so often, 1. Rare, 0. Not at all). We aggregate these data on the frequency of contacts by interest groups with politicians (variable named "*Pol Contact*") and bureaucrats ("*Bu Contact*") and calculate the total frequency of contacts for each interest group per survey. Then we calculate the percentage of the total contacts with politicians ("*%Pol Contact*"). The percentage variable is only calculated for the second (1994) and the third surveys (2003) because the first survey (1980) only includes two political positions (Prime Minister and Ministers) in the questionnaire and thus lacks comparability. Second, we separately analyze the level of lobbying activities (as opposed to the relative allocation) to politicians and bureaucrats using the same covariates to see whether there is a systematic difference in characteristics of interest groups that lobby politicians and that lobby bureaucracy.

Our main independent variable is whether an interest group has local organizations that could potentially make independent decisions about candidate endorsement, vote switching, or campaign contribution to legislators. We proxy the centralized versus decentralized organizational structure with interest groups' response to a questionnaire on whether the interest group has local organizations or not (variable named "*Local Org*"). While the majority of interest groups that have local organizations in these surveys have headquarters in Tokyo, we differentiate groups that have headquarters in Tokyo and groups that have headquarters outside of the Tokyo vicinity to parse out Walker's (1991) access argument from our organizational structure argument. "*No Tokyo HQ*" takes a value of one if a group has headquarters outside of the Tokyo vicinity and zero otherwise.<sup>18</sup>

### Alternative Hypotheses and Controls

**Organizational Resources.** The first alternative hypothesis we test is that the interest groups' organizational resource might better account for lobbying patterns

<sup>17</sup>There have been three ministerial positions during the three survey periods that were held by nonelected members: Saburo Ohki (Minister of Foreign Affairs, 1980), Ryoko Akamatsu (Minister of Education, 1994), and Heizo Takenaka (Minister of Finance Related Matters, 2003). We tried to test the effect of having nonelected ministers on an interest group's lobbying strategy, but we were unable to test it due to the lack of panel data on interest groups that fall under jurisdictions of these three ministries.

<sup>18</sup>These *No Tokyo HQ* organizations tend to be religious or civil society groups.

(de Figueiredo and de Figueiredo 2002; Olson 1965). In particular, groups that provide organized votes or campaign contribution might prefer to go through a political route while weaker interests might prefer to go through an administrative route. We include three variables. The larger the size of membership (logged "*ln\_membership*"), the more likely that an interest group lobbies politicians.<sup>19</sup> We also expect that the number of special interest politicians who represent a given sectoral interest ("*Policy Tribes*") should have positive effects on the interest group's decision to lobby politicians. The data on special interest politicians is matched with eight different types of sectoral interests, such as agriculture, welfare, industry and economy, defense, and labor.<sup>20</sup> Alternatively, groups may either send current members to parliament or appoint legislators on their executive board to enhance their connections with politicians. "*Current MPs*" takes a value of one when a group's member is a member of parliament and zero otherwise.

We also include two variables that measure the strength of interest groups' connections with bureaucrats. "*Advisory Council (Shingikai)*" takes a value of one when a group has a membership at advisory councils at ministries where potential legislations are discussed with bureaucrats and experts. "*Retirement position*" takes a value of one when a group offers a retirement position for government officials (*Amakudari*), and zero otherwise. Finally, a long time-horizon and repeated interaction among actors make monitoring and enforcement of contracts with politicians easier (Axelrod 1984; Grief, Milgrom, and Weingast, 1994; Snyder 1992). Thus, the age of the interest group as of the survey date is calculated by the year of the survey minus the year of the organization's establishment ("*Group Age*").

**Issue Areas and Sectors.** The second alternative hypothesis is that the sectoral or issue characteristics affect interest groups' lobbying strategies (Alt et al. 1999; Hiscox 2002; Magee, Brock, and Young 1978). We include a dummy variable for interest groups in agriculture ("*Agriculture*"), industry ("*Industry*"), and labor ("*Labor*") to control for the sectoral and issue effects. Sectoral dummies also allow

<sup>19</sup>We dealt with missing values for the membership variable as follows. If a given group's membership information is available for the second or third waves of the survey, we use its response to a questionnaire on its membership during the past 20 years in a 10-year interval.

<sup>20</sup>Special interest politicians (policy tribes or "*zoku*") were defined and operationalized as those veteran politicians who have served in key executive positions such as the party's Policy Affairs Research Council (PARC), Diet Committees, and subcabinet and cabinet positions over time in a particular issue area. We follow the coding of Satō and Matsuzaki (1987) and Inoguchi and Iwai (1987).

us to identify any agency slack that exists between a particular Ministry and legislators (McCubbins and Schwartz 1984). We expect that agricultural interests will consistently select politicians more than bureaucrats to lobby. Conversely, industry organizations with its diversity and dispersion across different electoral districts will choose to lobby bureaucrats more, as will labor since it has few close connections to the conservative LDP.<sup>21</sup> We also include a dummy variable ("*SM-sized Industry*") for organizations dominated by small and medium-sized firms as small to medium-sized firms are more likely to be geographically concentrated in districts, and they have been a strong supporter of the LDP.

The sectoral analysis is insufficient when globalization—freer movement of goods, capital, and labor—generates economic winners and losers

<sup>21</sup>Surprisingly, labor groups' contact scores with politicians holding important positions in the government do not differ systematically from non-labor groups or even from agricultural groups which have been known to have close connections with the LDP (see table below). However, if we use another set of questionnaires, which asks groups' frequency of contacts with each of the major political parties, labor groups do lobby opposition party politicians more than other groups, especially the DPJ and SDP politicians (see figure below). Those who study Japanese labor politics have shown that labor achieved their desired policy outcomes (e.g., higher wages and unemployment insurance) through within-enterprise labor unions, *not* through nationally organized labor unions or the opposition parties (Kume 1998).

	1980	1994	2003
Labor	1.50	1.41	1.40
Non-Labor	1.47	1.26	1.33
Agriculture	1.48	1.26	1.24

Note: An ordinal variable ranging from 0 to 3.

#### Labor versus Agricultural Groups: Party-Level Contact Scores for the Third Survey (0: Not at all to 4: Very often)

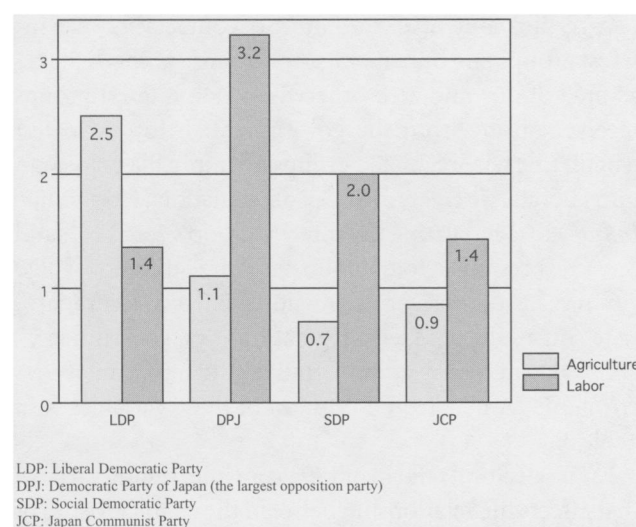


TABLE 3 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Pol Contact (survey 1)	252	1.357143	1.06344	0	3
Pol Contact (survey 2)	247	1.283401	1.119237	0	3
Pol Contact (survey 3)	235	1.344681	1.152998	0	3
Bu Contact (survey 1)	252	1.563492	1.013817	0	3
Bu Contact (survey 2)	247	1.566802	1.071902	0	3
Bu Contact (survey 3)	235	1.625532	1.072275	0	3
% Pol Contact	692	-3.31192	4.72913	-11.51292	11.51292
Local Org	724	.7348066	.4417413	0	1
No Tokyo HQ	734	.020436	.1415827	0	1
ln_membership	516	10.40358	2.983749	3.135494	16.86194
Current MPs	713	.2328191	.4229246	0	1
Policy Tribes	734	16.30654	24.08568	0	83
Advisory Council	729	.6406036	.480153	0	1
Retirement	727	.2572215	.4374034	0	1
Subsidy	721	.221914	.4158221	0	1
Group Age	725	35.56828	18.62074	2	125
Regulation	706	1.338527	1.282778	0	3
Agriculture	734	.113079	.3169053	0	1
Labor	734	.1566757	.3637427	0	1
SM-sized Industry	252	.1944444	.39656	0	1
International	470	.106383	.3086557	0	1

within a sector (Milner 1988). We expect that those who stand to benefit from globalization are more likely to go to bureaucrats as they tend to have the upper hand in negotiating with foreign countries (Davis 2003, 2004), while those who stand to lose are more likely to go to politicians for compensation and protection. To test this, a variable “*International*” is included which takes a value of one when a group has a foreign office and zero otherwise.

We also control for the nature of contacts between interest groups and bureaucrats/politicians. “*Subsidy*” takes a value of one and zero otherwise when interest groups receive subsidy from the government. In order to test whether heavily regulated groups are more likely to go to bureaucrats, we create an index of regulation (“*Regulation index*”) by aggregating the interest group’s zero (*No*) and one (*Yes*) response to the following three questions: “Do you receive a license or permission from a government?”, “Are you a subject of legal regulations by a government?”, and “Do you receive administrative guidance from a government?” A detailed description of these variables is in Table 3.

The electoral reform of 1994 is an intervening variable that affects the relationship between the characteristics of interest groups and their lobbying strategies. We analyze

each survey separately and infer the effects of the electoral reform by deducing expected changes in the types of interest groups that go to politicians or bureaucrats between the 1994 and the 2003 surveys.<sup>22</sup>

## Estimations

Our first dependent variable is an aggregation of six to 10 “contact scores” with politicians and bureaucrats. Since a response category for each of the questionnaires ranges from zero (“not at all”) to four (“very often”), the total contact score is an ordered, categorical dependent variable that can theoretically range from zero to 40 (four

<sup>22</sup>Alternatively, we pooled the data across the three surveys and include interaction terms between each of the three survey-year dummy variables (0–1) and our main independent variable *Local Org* (0–1). The results confirm our theory. Despite the pooled model’s confirmation of our theory, however, we present separate models for each of the three surveys for the following three reasons: (1) parameter heterogeneity issue (see Heinline 2008; Western 1998), (2) difficulty interpreting the substantive effects of interaction terms in ordered logit models (see Ai and Norton 2003, 129), (3) a better way to present our results leveraging 144 groups that were consistently surveyed in the second and third surveys (see Figure 1).

multiplied by ten). We categorize the data into four levels of contact (0: not at all; 1: sometimes; 2: frequent; and 3: very frequent) and analyze the data with an ordered logit estimation. Our second dependent variable is the allocation of lobbying efforts to politicians relative to bureaucrats as described previously. This is a continuous percentage variable ranging from zero to one and is transformed as follows  $Ln\_Y = \ln(Y/(1 - Y))$  to allow OLS estimation ("*perc\_pol\_contact*").<sup>23</sup>

## Results

Tables 4 to 7 show coefficients estimates of variables on the choice of lobbying strategies. The results lend strong support to our organizational structure argument even after controlling for organizational resources, issue areas, and the nature of contacts. We discuss specific results below.

### Organizational Structures: Centralized versus Decentralized Groups

Table 4 shows the results on the frequency of contacts with politicians. The effects of organizational structures of interest groups are significant for their decisions to lobby politicians under the SNTV system. Under the SNTV system, decentralized interest groups are more likely to go to a political route when they lobby than centralized interests, confirming Hypothesis 1. The results are robust with relative operationalization of "lobbying politicians" as presented in Table 5.

The substantive impact of the effects of the organizational structures on lobbying is quite large. Table 6 presents the simulated effects of groups having local organizations on their frequency of lobbying with legislators. During the second survey (1994), the predicted probability of centralized interest groups not contacting legislators at all ( $Y = 0$ ) is 33% higher than decentralized interest groups. On the other hand, the predicted probability of decentralized interest groups contacting politicians "sometimes" is 40% compared to centralized groups' 18%. The probability of contacting politicians "frequently" is 12% for decentralized groups and 3% for centralized groups. In Table 5, a one-unit shift from no local organization to having local organizations increases the relative allocation of lobbying efforts to politicians around 44 percentage points (e.g., 6–50%) in the second survey.

<sup>23</sup>We thank Langche Zeng for suggesting this.

**TABLE 4** Ordered Logit Estimates of the Frequency of Lobbying with Legislators (Controlling for Bureaucratic Contact)

	1980	1994	2003
<b>Organizational Structures</b>			
Local Org	0.926 (2.02)**	1.635 (3.72)***	0.684 (1.57)
No Tokyo HQ ("Access")		-31.793 (0.00)	3.454 (3.28)***
<b>Organizational Resources</b>			
ln_membership	0.031 (0.56)	0.167 (2.63)***	-0.109 (1.57)
Current MPs	0.688 (1.95)*	0.342 (0.91)	-0.403 (0.90)
Policy Tribes		-0.004 (0.60)	0.008 (0.79)
Advisory Council	0.669 (2.06)**	0.467 (1.31)	0.334 (0.82)
Retirement	0.313 (0.64)	0.197 (0.47)	-0.424 (0.93)
Group Age	0.021 (1.48)	0.050 (4.49)***	0.016 (1.52)
<b>Sectors and Issues</b>			
Subsidy	-0.521 (1.35)	-0.044 (0.11)	0.006 (0.01)
Regulation	-0.102 (0.83)	-0.393 (2.44)**	-0.488 (2.94)***
Agriculture	-0.545 (0.97)	-1.346 (2.23)**	0.109 (0.22)
Labor	-0.490 (1.23)	-0.383 (0.82)	-0.593 (0.68)
Bu Contact	0.334 (6.05)***	0.268 (6.48)***	0.378 (6.93)***
SM-sized Industry	0.121 (0.30)		
International		1.077 (1.40)	0.503 (0.82)
cut_1	4.020 (0.855)	6.009 (1.044)	2.676 (0.925)
cut_2	5.676 (0.905)	8.064 (1.141)	4.219 (0.976)
cut_3	7.482 (0.967)	9.758 (1.208)	5.644 (1.028)
Obs	184	173	134

Absolute value of z statistics in parentheses.

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. No Tokyo HQ is dropped from the model (1) due to collinearity.

**TABLE 5 Simulated Effects of Groups Having Local Organizations on the Frequency of Lobbying with Legislators (1994 Survey)**

	Local Org (1)	No Local Org (0)	First Difference
<b>Not at All (0)</b>	0.448 (0.144)	0.780 (0.118)	-0.333 (0.093)
<b>Sometimes (1)</b>	0.397 (0.084)	0.180 (0.091)	0.217 (0.074)
<b>Frequent (2)</b>	0.120 (0.06)	0.031 (0.024)	0.089 (0.044)
<b>Very Frequent (3)</b>	0.035 (0.024)	0.008 (0.008)	0.027 (0.019)

Note: The ordered logit estimates are from Table 4. The predicted probabilities are simulated using CLARIFY software available at <http://gking.harvard.edu/clarify>. Standard errors in parentheses.

### The Effect of Electoral Reform

After the electoral reform (2003), the overall intensity of lobbying with politicians has increased. Among the 144 groups that were consistently surveyed for the second and the third survey, the average contact scores have increased three points on a 16-point scale (3.7 to 6.9). This is consistent with our contractual approach that interest groups are more likely to lobby politicians when enforceability of contract is high under the centralized policymaking system.

We find no systematic evidence that decentralized interest groups are more likely to lobby politicians than centralized interests. This is consistent with our Hypothesis 2 that under the mixed SMD/PR system, the effectiveness of the decentralized punishment mechanism via voting or endorsing a candidate in SM districts declines, and the effectiveness of the centralized punishment via campaign contribution or mobilizing/withdrawing PR party votes increases. Indeed, the effects of decentralized versus centralized structure diminish after the electoral reform. Figure 1 presents the frequency of contacts with politicians before and after the reform for the 144 groups that were consistently surveyed for the second and third survey. Centralized groups have increased their contact scores substantially by 63%, while decentralized groups moderately increased their contact scores by 18%, which confirms H2 and H3.

### Who Contacts Bureaucrats?

Table 7 presents results on the frequency of interest groups' contacts with bureaucrats using the same

**TABLE 6 Ordered Logit Estimates of the Frequency of Lobbying with Bureaucrats**

	1980	1994	2003
<b>Organizational Structures</b>			
Local Org	0.548 (1.32)	0.125 (0.33)	-0.487 (1.14)
No Tokyo HQ		-37.663 (0.00)	-37.111 (0.00)
<b>Organizational Resources</b>			
ln_membership	0.053 (1.00)	0.034 (0.59)	0.170 (2.63)***
Current MP	-0.358 (1.07)	-0.124 (0.34)	0.244 (0.57)
Policy Tribes	-0.013 (0.59)	-0.020 (3.46)***	-0.001 (0.07)
Advisory Council	0.679 (2.18)**	1.509 (4.46)***	0.734 (2.00)**
Retirement	-0.623 (1.26)	-0.052 (0.14)	0.873 (2.02)**
Group Age	0.043 (3.10)***	0.007 (0.76)	0.013 (1.28)
<b>Sectors and Issues</b>			
Subsidy	0.697 (1.84)*	-0.059 (0.16)	0.773 (1.59)
Regulation	0.347 (2.84)***	0.260 (1.86)*	0.222 (1.44)
Agriculture	0.890 (1.49)	-0.641 (1.13)	-0.302 (0.64)
Labor	0.543 (1.30)	-0.804 (1.79)*	-0.770 (0.92)
SM-sized Industry	-0.686 (1.36)		
International		-0.344 (0.50)	0.259 (0.46)
cut_1	0.937 (0.746)	-0.811 (-0.767)	1.108 (0.827)
cut_2	2.634 (0.761)	0.932 (0.763)	2.368 (0.842)
cut_3	4.662 (0.809)	2.366 (0.781)	4.032 (0.894)
Observations	184	173	134

Absolute value of z statistics in parentheses.

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. No Tokyo HQ is dropped from the model (1) due to collinearity.

covariates as our analysis on contacts with politicians. Overall, the organizational structures of interest groups have systematic effects on their relative decisions to lobby bureaucrats over politicians, but they do not have

**TABLE 7** Relative Allocation of Lobbying Efforts to Legislators (%)

	1994	2003
<b>Organizational Structures</b>		
Local Org	2.995 (3.07)***	1.471 (1.19)
No Tokyo HQ	0.000 (0.00)	9.292 (3.15)***
<b>Organizational Resources</b>		
ln_membership	0.328 (2.39)**	0.145 (0.80)
Policy Tribes	-0.021 (1.55)	-0.015 (0.55)
Current MPs	-0.018 (0.02)	-2.007 (1.61)
Advisory Council	1.267 (1.61)	-0.265 (0.24)
Retirement	1.381 (1.53)	1.537 (1.20)
Group Age	0.058 (2.61)***	0.058 (1.96)*
<b>Sectors and Issues</b>		
Subsidy	-0.395 (0.43)	0.431 (0.32)
Regulation	-0.259 (0.76)	-0.603 (1.38)
Agriculture	-3.754 (2.78)***	0.884 (0.62)
Labor	-1.117 (1.07)	-2.741 (1.20)
International	2.015 (1.22)	-0.474 (0.30)
Constant	-11.309 (6.10)***	-7.228 (3.13)***
Observations	163	124
R-squared	0.22	0.15

Absolute value of t statistics in parentheses.

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%

$\text{Ln}_Y = \text{Ln}(Y/(1 - Y))$  when  $0 < Y < 1$ ;  $\text{Ln}_Y = \text{Ln}(0.00001/(1 - 0.00001))$  when  $Y = 0$ ;  $\text{Ln}_Y = \text{Ln}(0.99999/(1 - 0.99999))$  when  $Y = 1$ .

systematic effects on their intensity of lobbying with bureaucrats. This is consistent with our expectation that the organizational structures of interest groups should matter mostly to their decisions to lobby politicians because they provide interest groups with monitoring and punishment mechanisms when the commitment fails. There is no equivalent punishment mechanism interest groups can use for bureaucrats such as withdrawing campaign con-

tribution or votes.<sup>24</sup> One exception, however, is the age of the group. During the first survey, the older organizations were more likely to go to a bureaucrat, which is consistent with Muramatsu's argument that older organizations have more institutionalized relationships with bureaucracy (Muramatsu et al. 1986, 73; Muramatsu and Krauss 1987, 522). The effect of *Group Age*, however, diminishes after 1980.

The Advisory Council membership and degrees to which a given organization is regulated ("*regulation index*") have significant positive effects on their decisions to lobby bureaucrats, as expected. Whether an organized interest offers a retirement position (*Amakudari*) for bureaucrats has no systematic effects for the first two surveys, but has positive effects on groups' decision to lobby bureaucrats during the 2003 the survey. This is due to the fact that fewer numbers of retirement positions became available under Prime Minister Koizumi's reform, and this has increased the value of the reward for bureaucrats. These results are particularly interesting in regard to the conventional wisdom on the retirement positions (*amakudari*) that sees it as a means by which interest groups hold agencies hostage to favorable treatment in regulation (Amyx 2004; Schaefer 1994). Our findings indicate that its impact on lobbying decisions of interest groups may be less than originally thought when such positions were abundant in the 1980s and 1990s.

### Other Findings: Organizational Resources

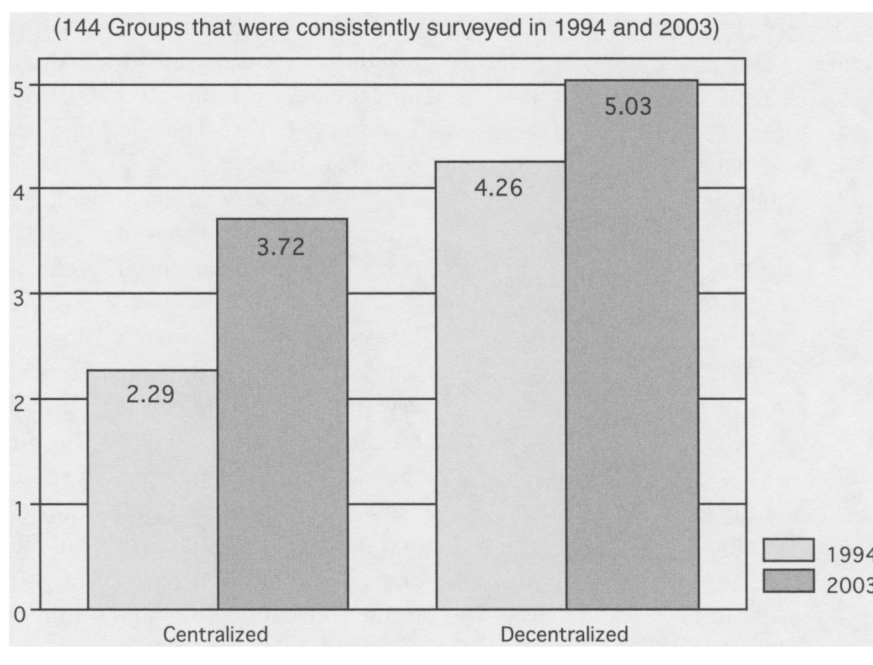
A few alternative hypotheses find expected support. Organized interests that have more political resources—such as the larger membership size and having a member of parliament as their member—are more likely to work through a political route than a bureaucratic route. The longer a given group has been around, the more likely that they contact politicians, confirming the importance of the long time-horizon in increasing the enforceability of contract.

The number of policy tribe politicians has no systematic effects on groups' decisions to lobby politicians and has weak, negative effects on their decisions to lobby bureaucrats for the second survey, which is unexpected. A possible explanation for this is that policy tribe politicians were not institutionalized during the 1980

<sup>24</sup>One possible punishment for bureaucrats is not to grant a retirement position ("*Amakudari*") for retirees from a particular bureau. A then-midlevel bureaucrat in an economic ministry said he had to be very careful not to alienate any of the key interest groups in an electronic industry for fear of damaging his chances for a good retirement position, which was years ahead. The author asked, "Are you really worried about that now?" and the reply was, "We all are" (Interview conducted by one of the authors).



**FIGURE 1 Pre- vs. Post-Reform Changes in Mean Contact Scores with Legislators**



survey; they then developed into mediators who align organized interests with bureaucratic, sectoral interests by the 1994 survey, but had lost their mission after the electoral reform due to the centralization of power to the Prime Minister and the Cabinet (Krauss 2007; Muramatsu 2005a, 2005b, 2005c).<sup>25</sup> In sum, organizational resources do affect interest groups' decision to lobby politicians, but the effect is weak and inconsistent across the surveys.

### Control Variables

A majority of control variables turn out to have no systematic effects. For instance, the nature of contacts with policy makers—i.e., whether an interest group receives subsidy or does not—has systematic effects on the groups' choice to lobby politicians. Degrees to which the state intervenes with interest group activity via regulation do have systematic, negative effects on their decision to lobby politicians, which is expected. Control variables for sectors also show interesting results. Agricultural organizations are *less* likely to contact politicians, particularly for the

1994 survey, and these results tend to hold even when we analyze the proportion of total contacts devoted to politicians relative to bureaucracy. The possible explanation for this might be that agricultural liberalization was negotiated at the Uruguay Round in the early 1990s. A series of trade talks at the multilateral negotiations may have given the upper hand to bureaucracy over politicians (Davis 2003, 2004).

In sum, this article has identified the effect of major electoral reform in 1994 on the choice of lobbying activities. The new electoral system decreased the effectiveness of the decentralized punishment mechanism while it increased the effectiveness of mobilizing versus withdrawing party votes for the centralized groups. The other decentralized punishment mechanism, i.e., withdrawing campaign contributions for individual politicians, has become less effective due to the revision of Regulation on Political Funds in 1994. These institutional reforms changed the effectiveness of various monitoring and punishment mechanisms interest groups can use and consequently their lobbying behavior.

### Conclusion

The findings presented in this article suggest a reconsideration of the preference and resource-centered

<sup>25</sup>To lend support to this interpretation, whether the organization has policy tribe politicians or has a local organization are substitutive (i.e., negative correlation coefficients at  $-0.17$ ) before the electoral reform. Organized interests lobbied either through a local organization or policy tribe politicians, but not both. This relationship has changed after the reform—these two variables positively correlate at  $0.08$ .

explanations of lobbying widely used in the literature. We have demonstrated the importance of theorizing lobbying venue choice and intensity as a function of contract enforceability between interest groups and policy makers. The organizational characteristics of interest groups—i.e., whether an interest group is decentralized or centralized—substantially affect their choice to lobby politicians or bureaucrats because they are associated with varying abilities to monitor and enforce the contracts and punish when they fail to deliver on promises.

Our contractual approach solves some of the major puzzles left in the literature on lobbying. Organized interests tend to lobby legislators who are sympathetic to their policies and who have a long-term relationship, because with repeated interactions and with a long time-horizon, it is easier to enforce contracts with them. The low contract enforceability characterized by a decentralized policymaking environment—such as the one under the SNTV electoral system—deters intensive lobbying with politicians by organized interests, particularly by groups characterized by centralized structures. These groups lobby bureaucrats more extensively because their organizational structures do not allow them to enforce contracts with legislators or punish them when they fail. On the other hand, in a more party-centered, centralized policymaking environment with high contract enforceability, interest groups lobby politicians more intensively than under SNTV. In particular, we have demonstrated that centralized groups have increased their contacts more significantly than decentralized groups.

Our findings echo an emerging literature on political market failure and how economic and political organizations develop to deal with such risk. While that literature focuses on the repeated play and reputation (Snyder 1992), the role of community network (Stokes 2005), and the role of the media (Finan 2008) in making politicians accountable to constituents, this article has proposed one of the understudied aspects that affects organized interests' ability to enforce the contract with policy makers: organizational structures. Our results suggest that electoral systems and organizational structures of interest groups can be a mirror image: electoral systems that foster representation of local interests are more likely to encourage decentralization of organized interests, while those that foster representation of broader constituents are more likely to encourage centralization of groups. Our findings reinforce the long-held view that interest group organization is shaped by the structure of political institutions (e.g., Golden 1986; Gourevitch and Shinn 2006; Iverson, Cusack, and Soskice 2007). We have gone further to show that interest groups' lobbying strategies are shaped by electoral systems.

Second, our findings also force us to reconsider a conventional wisdom in the literature on how different electoral systems represent diffused versus organized interests. While a majoritarian system such as SMD is believed to represent diffused interests better than semiproportional (SNTV) or proportional representation systems (Bawn and Thies 2003; Rogowski and Kayser 2002), we demonstrate that the centralization of policymaking and candidate nomination process under a mixed electoral system means high contract enforceability between politicians and organized interest. This high enforceability, in turn, intensifies organized interests' lobbying activities with legislators. In particular, centralized interest groups without local organizations might gain a larger voice under such centralized policymaking environment and could overshadow the voice of diffused interests, such as consumers and citizens. Our contractual approach sheds a new light on this debate by showing that electoral systems do not simply shape the scope of interests legislators need to target (i.e., narrow vs. broad—horizontal axis in Table 1), but they also shape policymaking environment (i.e., centralized vs. decentralized—vertical axis in Table 1). The policymaking environment substantially affects contract enforceability between legislators and organized interests and hence their lobbying intensity and venue choices.

The above finding has an important policy implication for reforming electoral and campaign finance systems. Because voting, candidate endorsement, and campaign donations are the three major instruments of contract enforcement for interest groups, electoral reforms should be implemented with campaign finance reform—e.g., when the electoral system is decentralized, interest groups should be able to use a “localized” punishment mechanism which allows them to grant or withdraw campaign finance to individual politicians as opposed to parties.

In concluding, we suggest a few promising directions for future research. First, an apparent extension of this study is to investigate how organizational structures of political parties interact with various structures of interest groups to shape their lobbying strategies. Second, it will be fruitful to think how our findings on lobbying speak to the literature on centralized versus decentralized corruption and its relative efficiency. Ackerman (1999, chap. 7) and Kang (2002) have both suggested that a centralization of the policymaking process can deter “inefficient” corruption. This debate has spurred questions about whether fiscal and political decentralization leads to bad governance and accountability (Treisman 2000). Although this article did not concern the efficiency of lobbying per se, our findings imply the opposite that

decentralization might deter overall lobbying by discouraging organized interests to lobby politicians. How electoral systems and political or fiscal decentralization interact to shape representation of organized interests and the levels of their political activities, including corruption, would thus be a promising line of research. Relatedly, it will be fruitful to investigate how the choices of lobbying strategies are related to the success of lobbying. Finally, general welfare and distributional implications of different lobbying strategies under various electoral systems need to be discussed.

## Appendix

### A Note on Sampling Procedure

The sampling was done in two stages. The first stage was extensive interviews with bureaucrats on which interest groups played important roles in policymaking and policy implementation in various ministries. The survey team chose 112 interest groups based on these interviews. The second stage was to list interest groups that were not mentioned by bureaucrats but who have played an important role in policymaking/implementation by searching through newspaper archives, Diet testimony, and the Annual Report of Organized Groups in Japan (*Nihon Dantai Nenkan*) published every year. An additional 300 or so were chosen through this procedure, giving the total of 450 groups as the universe of cases. They contacted 450 groups for the survey, and 252 groups agreed to be surveyed. The second and third surveys replicated this process in addition to keeping as much of the same interest groups that were surveyed during the first period and obtained 247 and 235 groups agreeing to be surveyed.

The sampling procedure described above may be problematic if our question concerns which interest groups are more influential than others as it explicitly selects important and active interest groups. The procedure is less problematic for the purpose of our article however, as we are interested in who lobbies politicians versus bureaucrats when interest groups have a choice in influencing bureaucrats or politicians.

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